

Message Text

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ACTION OPIC-06

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FM AMEMBASSY GABORONE

TO SECSTATE WASHDC PRIORITY 6587

INFO AMEMBASSY MBABANE

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E.O. 11652: N/A

TAGS: EFIN, BC

SUBJECT: POSSIBLE U.S. INVESTMENT

REF: STATE 108992

DEPARTMENT PASS OPIC

1. EMBASSY PLEASED AT CONTINUING GULF RESOURCES INTEREST IN POSSIBLE SODA ASH PROJECT AND GRATEFUL FOR OPIC ASSISTANCE IN THIS REGARD. FOLLOWING INFORMATION IS BASED IN PART ON INFORMAL CONVERSATIONS WITH OFFICIALS FROM MINISTRY OF MINERAL RESOURCES AND WATER AFFAIRS.

2. REGARDING GOVERNMENT PARTICIPATION, PAST PRACTICE SUGGESTS THAT 15 PER CENT EQUITY WOULD BE REQUIRED "FREE" WITH NEGOTIATED RIGHT TO PURCHASE ADDITIONAL EQUITY AT FAIR MARKET VALUE UP TO MAXIMUM SET BY AGREEMENT WITH DEVELOPER.

3. REGARDING SALES TO NORTHER BLACK AFRICA STATES, IT WOULD BE POLITICALLY ADVANTAGEOUS TO MAKE SUCH SALES COMING FROM NON-RACIAL BOTSWANA. MECHANICAL PROBLEMS WOULD INVOLVE PRIMARILY TRANSPORTATION. BOT-ZAM ROAD COULD BE USED IN THIS CONNECTION AFTER APRIL 1976. RAILWAY SPUR TO BE CONSTRUCTED FROM FRANCISTOWN TO DUKWE WILL CONNECT WITH REGIONAL NET.

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4. REGARDING INFRASTRUCTURE, GOVERNMENT IS PREPARED TO BE

RESPONSIBLE FOR ALL INFRASTRUCTURE AND WOULD EXPECT COMPANY TO BE RESPONSIBLE FOR CONSTRUCTION OF PLANT. HOWEVER, WHEN FINANCING EFFORT GETS UNDER WAY, IT COULD BE NECESSARY FOR COMPANY AND GOVERNMENT TO CO-SIGN EACH OTHER'S NOTES.

5. GOVERNMENT WOULD EXPECT TO PROVIDE POWER GENERATION AS AN ELEMENT OF INFRASTRUCTURE.

6. REGARDING DESALINIZATION PLANT VERSUS SALT EVAPORATION POOLS, GOVERNMENT WOULD BE PREPARED TO SUPPORT WHICHEVER TECHNICALLY FEASIBLE PLANT DESIGN COMPANY DESIRES, WITH DAVET THAT COMPANY MUST ESTABLISH ITS FEASIBILITY TO THE SATISFACTION OF GOVERNMENT.

7. REGARDING THE PROVISION OF WATER FOR ABBATTOIR, WHERE BENEFIT IS SOLELY OR SUBSTANTIALLY FOR THE ADVANTAGE OF THE GOVERNMENT, GOVERNMENT WOULD EXPECT TO PAY FOR IT.

8. PRECEDING IS OF COURSE UNOFFICIAL AND IS MEANT TO BE HELPFUL TO GULF IN FORMULATING ITS PLANS. OPIC AND GULF EXECUTIVES MAY BE INTERESTED TO KNOW THAT GOVERNMENT IS PLANNING TO SEND MISSION WITH ONE OR TWO REPS TO DISCUSS SODA ASH PROJECT WITH INTERESTED COMPANIES. MISSION EXPECTS TO BE IN U.S. (WASHINGTON, D.C. AND NEW YORK) PRIOR TO JUNE 15. THEY WILL BE PLANNING TO TALK IN GREATER DETAIL TO GULF AT THAT TIME. THEY ALSO EXPECT TO BEGIN DISCUSSING FINANCING WITH POTENTIAL LENDERS SUCH AS THE WORLD BANK AND CHASE MANHATTAN.

THOMSEN

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